

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSALS ONE THROUGH FIVE)

Docket No. RM2012-5

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 2-7 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to Questions 2-7 of Chairman's Information Request No. 1. The request was issued on July 13, 2012, with responses due on July 23rd. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**Question 2**

Please identify the In-Office Cost System (IOCS) question(s) that allows the Postal Service to identify whether or not a mailpiece with either COD, Certified Mail, or Insurance is handled in Registry cages. If no question currently exists, please explain what measures will be taken to allow IOCS to correctly report the costs.

**RESPONSE:**

Questions Q18H1 (option B) for plants and Q18H4B (option A) for post offices, stations and branches, both reproduced below, identify when an employee is assigned to a Registry operation (i.e. in a Registry cage).

**Q18H1          Accountable Mail Operations**

*What type of unit or section is the employee assigned to?*

- A      Express Mail / Expedited Delivery Section
- B      Registry Section/Cage
- C      Business Reply - Postage Due Unit
- D      Other Accountable Work (Including Keys/Scanners)

**Q18H4b          Other Accountable Work - PO/Station/Branch**

*What specific activity is being performed? (Choose the FIRST applicable option.)*

- A      Registry (Only)
- B      Checking In/Out Carriers' Keys/Accountables
- C      Checking In/Out Carriers' Scanners and Related Work
- D      Counting/Checking Accountable Paper (Stamps, Money)
- E      Processing /Scanning/Writing Up Accountable Mail (including Certified Mail)
- F      Other (Specify)

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**Question 3**

The following question refers to "Table 3: Change in IOCS due to changes in encirclement rules...."

- a. For each number provided in Table 3, please provide the source documents relied upon and show the derivation of the values shown in the columns titled: "Original" and "Proposed."
- b. Please explain why the sum of the differences between the columns labeled "Original" and "Proposed" is not zero and identify where the difference is applied.

**RESPONSE:**

- a. The numbers were calculated from the FY2011 IOCS data provided in USPS-FY11-NP21. SAS code and an activity code mapping table that perform the calculations are provided in USPS-LR-RM2012-5/1.<sup>1</sup> Upon review, some corrections have been made:

1. USPS mail is no longer encircled;
2. Inbound Surface Total includes CP as well as LC/AO;
3. The Competitive Products line now includes all competitive products, not just those where there was a difference due to the methodology change.

TABLE 3: Change in IOCS due to changes in encirclement rules  
FY11 Dollar-weighted Cost Segment 3 Direct tallies (\$000's)

Product Group	Original	Proposed	%Change
Inbound Registered	\$14,362	\$8,858	-38.3%
Inbound Surface Total	\$5,105	\$5,316	4.1%
Inbound Air LC/AO	\$39,156	\$44,337	13.2%
COD	\$601	\$990	64.8%
Certified	\$128,793	\$147,669	14.7%
Insured	\$33,905	\$34,484	1.7%
Signature Confirmation	\$4,494	\$5,170	15.1%
First-Class	\$2,796,637	\$2,777,652	-0.7%
Parcel Post	\$113,799	\$113,333	-0.4%

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<sup>1</sup> This library reference will be filed on July 30, 2012.

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Competitive	\$852,765	\$851,807	-0.1%
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- b. There is no difference between the column totals in the revised table.

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**Question 4**

The Postal Service proposes to eliminate IOCS codes that are no longer used for costing.

- a. Please describe (i) the original purpose of these activity codes in the IOCS system, and (ii) the reason these codes are no longer required for costing.
- b. Please provide any changes in the IOCS questionnaire and SAS computer program along with SAS output.

**RESPONSE:**

- a. (i) As a general matter, activity codes are a convenience allowing the tabulation of costs for tallies with specified characteristics (e.g. handling a particular product) for which there may be many applicable responses in the IOCS questionnaire. Activity codes traditionally have been defined for some product categories finer than the CRA level of product detail to facilitate other analyses, such as of costs by shape. New activity codes may be required, or old activity codes may be rendered obsolete, by factors including changes to products' rate structures and changes to CRA and/or ACR methodologies.

(ii) The reasons are described briefly in the Petition at page 11. As noted there, separate codes for automation and non-automation First-Class Mail and Standard Mail are no longer required because in Docket No. R2006-1, the Commission adopted a Postal Service proposal to measure costs for those categories using mailflow models rather than IOCS-based CRA methods.<sup>2</sup>

Separate codes for presorted Media Mail and Bound Printed Matter, distinct from

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<sup>2</sup> See Opinion and Recommended Decision, Docket No. R2006-1 (Feb. 26, 2007), at ¶ 5159 (Commission's decision to use a single CRA estimate for First-Class Mail automation and non-automation presort) and ¶ 5590 (Commission's decision to use a single CRA estimate for Standard Mail automation and non-automation presort).

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Single-Piece, are finer than required for CRA reporting and are not used in ACR studies. Finally, letter-shape activity codes are not required for products such as Parcel Post where letter-shape pieces do not occur.

- b. In the IOCS data instrument, questions that record presort markings have not changed. For AUTO markings, Q23J5 has been consolidated with Q23J4 to form one (new) Q23J4 (reproduced below) that obtains the same information as the former Q23J4 and Q23J5.

**Q23J4 Markings**

*Which of the following are marked anywhere on the piece? (Choose first applicable)*

- A "AUTO"
- B "CMM" (or "Customized MarketMail" or "CUST MKTMAIL")
- C None

Questions related to recording the details of POSTNET barcodes, namely Q23K2, Q23K5, Q23K7 and Q23K8, have been removed, although the presence of POSTNET barcodes is still recorded. Almost all POSTNET barcodes on presorted First-Class Mail and Standard Mail are 11-digit delivery point barcodes, so there is no longer much additional value obtained by recording the count of the number of high bars. Indeed, a key issue underlying the Docket No. R2006-1 proposal for modeling differences between automation and non-automation costs was that automation rate eligibility was not fully observable from the mailpiece. Furthermore, with the introduction of the Intelligent Mail barcode, POSTNET barcodes will soon no longer be sufficient to obtain automation rates.

A preliminary version of SAS program ALB040 that implements the proposed changes for FY12 is provided in USPS-LR-RM2012-5/1. Because of

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changes in data fields, this version cannot be used on the FY11 data without further modification, so SAS output using FY11 data is unavailable.

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**Question 5**

Please refer to the proposal with regard to adding a new operation code for Managed Mail Distribution in the IOCS.

- a. Please explain the relevance of the distinction between Managed Mail Distribution and other schemes to the Cost and Revenue Analysis if this change has no impact on the costs of any products.
- b. Please provide any changes in IOCS data collection procedure, IOCS questionnaire, and SAS computer program along with SAS output.

**RESPONSE:**

- a. Currently, letter and flat scheme information collected in IOCS work activity questions is used for internal analyses and not for the CRA or ACR cost studies. From a data collection standpoint, identifying Managed Mail schemes directly is simpler than training data collectors to classify Managed Mail schemes as incoming primary.
- b. In the IOCS data collection instrument, Q18C5 has been changed as follows:

FY11:

**Q18C5 Letter Automation Scheme**

*What type of scheme or sort plan is the machine set up to run?*

- A Outgoing Primary
- B Outgoing Secondary
- C Incoming Primary
- D Incoming Secondary (Other than DPS)
- E Delivery Point Sequencing
- F None/Cannot Determine

FY12, with Managed Mail as option B:

**Q18C5 Letter Automation Scheme**

*What type of scheme or sort plan is the machine set up to run?*

- A Outgoing (Primary or Secondary)
- B Managed Mail



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- C Incoming Primary
- D Incoming Secondary (Other than DPS)
- E Delivery Point Sequencing
- F None/Cannot Determine (Specify)

Questions Q18C6 and Q18E26 have similar changes regarding Managed Mail. SAS program ALB040 will assign this option to the proposed uniform operation code '03' and to the 'incoming' basic function. A preliminary version of ALB040 that implements the proposed change for FY12 is provided in USPS-LR-RM2012-5/1. However, this cannot be used on FY11 data since Managed Mail was not an available option. Therefore, SAS output for FY11 data is unavailable.

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**Question 6**

The Postal Service proposes to combine Outgoing Primary and Outgoing Secondary Distribution into one code.

- a. Please discuss (i) the original purpose of this distinction in the IOCS data system, and (ii) the reason that such distinction is no longer required.
- b. Please describe how this change will be implemented, including any changes in the data collection procedure, IOCS questionnaire, and SAS computer program. Also, please provide the SAS program and output associated with this proposed change.

**RESPONSE:**

- a. Prior to the adoption of “MODS-based” cost pools for mail processing operations in Docket No. R97-1 (and conceptually similar activity-based cost pools for non-MODS operations in Docket No. R2000-1), the mail processing cost model for the CRA used IOCS “Basic Function” to distribute costs associated with mixed-mail and not-handling tallies to classes and subclasses of mail. IOCS Basic Function classified mail processing activities as outgoing, incoming, transit, or other. For tallies of distribution activities, the Basic Function is determined by identifying the processing scheme, so outgoing primary and outgoing secondary distribution would be associated with the outgoing Basic Function. The distinction between Outgoing Primary and Outgoing Secondary was not required as such. Moreover, currently accepted cost distribution methods for mail processing no longer use Basic Function.<sup>3</sup>
- b. In the IOCS data collection instrument questions, the separate options for Outgoing Primary and Outgoing Secondary have been combined into one option

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<sup>3</sup> See Opinion and Recommended Decision, Docket No. R97-1 (May 11, 1998), at ¶ 3142, for the adoption of operation-specific MODS pools for mail processing.

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A. See the response to Question 5 above to see the changes to question Q18C5. Similar changes have been made to questions Q18C6, Q18D2 and Q18E26. Both Outgoing Primary and Secondary tallies would now be assigned the same redefined uniform operation code '02', Outgoing Distribution, by program ALB040. A preliminary version of SAS program ALB040 for FY12 is provided in USPS-LR-RM2012-5/1. Because of changes in the meaning of data values in FY12, this version cannot be used on the FY11 data without further modification, so SAS output using FY11 data is unavailable.

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**Question 7**

The Postal Service proposes to add new activity codes for Parcel Lightweight and to revise the codes for First-Class Mail Parcels, and Irregular Parcels and Pieces.

- a. Please provide any changes in the IOCS questionnaire and SAS computer program along with SAS output.
- b. Do these changes have any impact on the costs of First-Class Mail and/or competitive products? If so, please provide the cost impact of these changes, including the current IOCS tallies and tallies after the implementation of the proposed changes. If not, please explain.

**RESPONSE:**

- a. The following changes have been made to the IOCS data collection instrument:

The revised question Q23I2 below is asked to identify First-Class Parcels and First-Class Packages. It is asked for parcels, IPPs and non-machinable flats with a First-Class marking where the category cannot be unambiguously determined from the indicia, (e.g. for IBI, meter or stamps):

**Q23I2 First-Class Markings**

*Do any of the following markings appear near the indicia? (Choose the first applicable.)*

- A "ComBasPrice" (including "CommercialBasePricing")
- B "ComPlsPrice" (including "CommercialPlusPricing")
- C First-Class Parcel
- D First-Class Returns
- E First-Class Package Return Service
- F First-Class Package (including "First-Class PKG")
- G None of the above markings

Mailpieces with a return label are asked the following revised question; option E identifies mailpieces in First-Class Package Services.

**Q23E15 Type of Return Label**

*What type of Return Label is on the piece?*

- A Merchandise Return Label (DO NOT Include USPS Permit

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- Number 999-Merchandise Return Label)
- B Bulk Parcel Return Service (BPRS)
  - C Parcel Select Return Service
  - D Priority Mail Return Service (or Priority Mail Returns)
  - E First-Class Package Return Service (or First-Class Returns)
  - F Ground Return Service (or Ground Returns)
  - G Other Return Service (Specify)

Mailpieces with a Parcel Select marking are asked the following revised question;

option E identifies Parcel Select Lightweight:

**Q23G8 Parcel Select Markings**

*Which of the following markings appear on the piece?*

- A Parcel Select NDC Presort (or PRSRT)
- B Parcel Select ONDC Presort (or PRSRT)
- C Parcel Select Nonpresort (or NPS, including "Parcel Select Barcoded" or BC)
- D Parcel Select Regional Ground (or RG)
- E Parcel Select Lightweight (or PS Lightweight)
- F None of the Above

SAS program ALB040 has corresponding changes that map these responses to the appropriate activity code. In addition, ALB040 uses question Q23G1h, Standard Parcel Address, to identify fulfillment parcels and IPPs that continue to have a Standard marking but now belong to Parcel Select Lightweight. A preliminary version of SAS program ALB040 for FY12 is provided in USPS-LR-RM2012-5/1. Because the options were unavailable in FY11, this version cannot be used on the FY11 data, so SAS output using FY11 data is unavailable.

- b. First-Class Package Service and Parcel Select Lightweight only became effective in FY12, so there is no impact to FY11 costs. For FY12 the IOCS changes reflect the introduction of these new products with their new markings. Since many of the relevant marking options were not available in FY11, and none

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for the entire year, an informative simulation of cost impact on FY11 data is not possible.